

**Office of Economic Development**  
**Mesa Redevelopment Authority Executive Board**  
57 E. 1<sup>st</sup> Street  
Lower Level Council Chambers  
Mesa, AZ 85201

**MEETING MINUTES**

**Date:** October 22, 2013 1:00 P.M.

**MEMBERS PRESENT**

Brian Campbell, Chair  
Tony Ham, Vice-Chair  
William Jabjiniak  
John Regni

**STAFF PRESENT**

Shea Joachim  
Gail Vangen

**MEMBERS EXCUSED**

Virgil Renzulli

**GUESTS**

Dane Mullenix  
Devin Kramer

**1. Chair's Call To Order**

Chair Brian Campbell called the meeting of the Mesa Redevelopment Authority Executive Board (MRA) to order at 1:05 P.M.

**2. Approval of Minutes from the July 23, 2013 Meeting**

Chair Campbell called for a **motion** to approve the minutes from the meeting held on July 23, 2013.

**MOTION:** General John Regni moved that the minutes from July 23, 2013 be approved as written.

**SECOND:** Mr. Tony Ham

**DECISION:** Pass unanimously

**3. Items from Citizens Present**

Mr. Devin Kramer with the Mesa Leadership Group is shadowing the Economic Development Director for the afternoon to observe the workings of government.

**4. Discuss and possibly take action on Arizona's effort to be designated a National Test Range to Integrate Unmanned Aircraft Systems into the National Airspace System**

General Regni stated that a decision regarding the six designated sites is slated to be made by the end of this calendar year. Currently there are 25 applicants from 24 states competing for these positions. Some states have partnered together thus reducing the number of applicants. General Regni will be with a delegation of 20 of these applicants at a meeting in Washington D.C. on October 29, 2013. When questioned regarding the FAA visiting possible sites, General Regni responded that they have apparently elected to forgo any such visits. The virtual laboratory is a unique offering from Arizona; consequently, AZLabs could possibly market to the other ranges if they are not selected.

**5. Discuss and possibly take action on alternatives or contingencies for the Economic Development Conveyance (EDC) agreement for Arizona Laboratories for Security and Defense Research (AZLabs)**

Mr. Shea Joachim reminded the board of the various milestones to date in the conveyance process. He submitted the two options with the Air Force. First, a ten-year agreement with the Air Force that would conclude with the Air Force receiving the net income earned during that period which would require excessive oversight. Secondly, a real estate transaction, negotiated sale, where an agreement would be reached by the end of this calendar year. The price and terms have been determined with funding coming from restructuring within the existing Alion contract. The staff recommends pursuing the negotiated sale option which would eliminate the Air Force's oversight and allow flexibility for market conditions going forward.

The site covers 6.5 acres with approximately 99,300 of gross building square footage. A two-year term allows Alion to spread the impact over this time period.

Mr. Tony Ham inquired if this would relieve the Air Force of liability. Shea Joachim responded that although credit would have been made for repairs since the City of Mesa obtained control of the facility, under the Economic Development Conveyance option, no credit is available under the negotiated sale.

General Regni asked about the windfall profits clause. Shea Joachim stated that this means if the property were sold within 18 months of purchase and it is sold above the negotiated sale price, the profits must be shared with the Air Force for three years.

Chair Campbell stated that Alion has been a great partner in this pursuit and therefore supports this purchase. He believes this should go before the City Council soon for final action.

**MOTION:** General John Regni moved that this recommendation be undertaken.

**SECOND:** Mr. Tony Ham

**DECISION:** Pass unanimously

**6. Discuss and possibly take action on report of Alion Science and Technology regarding business development activity at Arizona Laboratories for Security and Defense Research (AZ Labs)**

Mr. Dane Mullenix pointed out that restructuring is necessary with the purchase of the site. Specifically, the chillers have recently been a concern. Currently two of the chillers are operational and two are in need of maintenance. The staff made contact through Shea Joachim for bidding, referencing the chillers.

Chair Campbell queried about the implementation of a service agreement for the two operational chillers. Mr. Dane Mullenix reviewed the situation with the two remaining chillers; namely, the larger unit had motor failure and the entire unit must be disassembled in order to repair it. The other unit was taken down by the Air Force in 2003 because it was considered excess, so focus is being made on that unit currently. Unfortunately the Air Force used that unit for parts, so a decision needs to be made regarding the cost effectiveness of that unit.

Mr. Bill Jabjiniak asked about the SRP rebates and whether the billing could be changed to Alion. Mr. Dan Mullenix responded that rebates are not possible due to the city's qualification as one billing entity. Alion investigated taking over the billing in order to obtain the rebate, but this is not as easy a proposition as it sounds.

Mr. Tony Ham inquired about the two chillers that were down recently. Mr. Dane Mullenix replied that the original approach was a different business model in that they were originally plumbed at the base. All four units are unnecessary with the current customer base. Tony Ham pointed out these are not just the Alion buildings and Mr. Dane Mullenix confirmed that three other buildings are supplied as well. Mr. Bill Jabjiniak confirmed that these other entities assist with the cost of the chillers' usage. For accounting purposes, the funds obtained are run through the city's chiller account, not Alion's.

Mr. Bill Jabjiniak pointed out that the shutdown of the chillers occurred while ASU was not in session. This prompted a strategy for backup maintenance pursuits. Alion is working to keep tenants apprised of the chiller situation.

General Regni asked if Alion had considered the DRMO. Mr. Dane Mullenix responded that warrantable replacement chillers have been researched. The ultimate goal is to acquire warranties for any and all occurrences, but this has not been realized to date.

**7. Discuss and possibly take action on report of Alion Science and Technology regarding marketing efforts at Arizona Laboratories for Security and Defense Research (AZ Labs)**

Mr. Dane Mullenix announced two leases of notable size, with the first footprint in a higher security area. The Air Force left the infrastructure for secure communications in the facility, which is desired by the potential tenants. Currently, companies are subjected to bear the expense of secure communications rather than the government. This would offer possible tenants something no other entity can offer. Alion would need to spend approximately \$200,000 to fund and install the proper equipment.

Chair Campbell inquired of Mr. Dane Mullenix whether he has secured a proposal. He responded that five of nine board members have already been approached. Chair Campbell further asked if there is a positive response, what the time frame would be. Mr. Mullenix asserted he believes three to six months from this point.

The Board inquired about the percentage of leased property at this point. Mr. Mullenix estimates approximately 53 percent. The Board further requested revenue numbers per square foot for the site from a planning standpoint.

As for tenant business development, current tenants see the benefits of the Lab. They are now looking for creative ways to incentivize and bring in partner companies. One tenant is considering utilizing Lab space for flight training. Notably, there are no Hub Zone companies as of yet.

Mr. Mullenix has further indicated that a presentation has been built for a central repository for scientific and technical information. In addition, OSD has been well received. In addition, the goal is to approach the senior person at SCS, to see the value of doing business with Arizona. Chair Campbell requested that the city be given as much advanced notice as possible when this senior member of SCS is in town to prepare and present the Labs in the best possible light.

Chair Campbell also noted that the recent government shutdown impacted Alion. There is a cumulative effect; notably, the flexibility clause was removed. General Regni pointed out that the budget agreement is for three months and that DOD is already making this an issue to be addressed.

Mr. Jabjiniak anticipates a Thursday, November 7, special meeting to deal with this subject, and brief council members. Three have already been contacted.

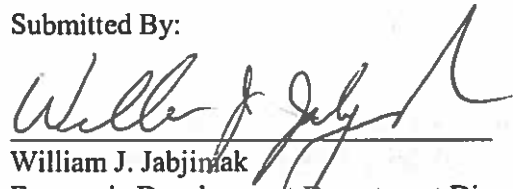
**8. Other Business**

Next Meeting: Tuesday, November 26, 2013, 1:00 P.M. at 57 E. 1<sup>st</sup> Street, Lower Level Council Chamber, Mesa, AZ 85201. The Board discussed that this may change since this will occur the week of Thanksgiving.

**8. Adjournment**

Chair Campbell adjourned the meeting at 2:10 P.M.

Submitted By:

A handwritten signature in black ink, appearing to read "William J. Jabjima", is written over a horizontal line.

William J. Jabjima  
Economic Development Department Director  
(Prepared by Jeanne LaRue)